MOODY'S INVESTORS SERVICE

CREDIT OPINION
17 December 2021

Update

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RATINGS

CETIN Group N.V.

Domicile	Netherlands
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CETIN Group N.V.

New issuer - Credit analysis following first-time rating assignment

Summary

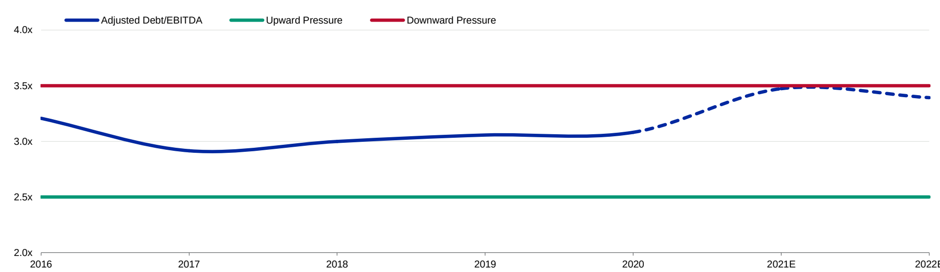
The Baa2 long-term issuer rating of CETIN Group N.V. (CETIN Group) reflects that it is 100% (to decrease to 70% subject to closing of the sale transaction with GIC) owned by PPF Telecom Group B.V. (PPF Telecom Group, Ba1 stable) and that it's the 100% owner of CETIN a.s. (CETIN, Baa2 stable). It also reflects the group's infrastructure business in Hungary, Bulgaria and Serbia. The outlook on the rating is stable.

The Baa2 rating of CETIN Group reflects a credit profile that is broadly similar to that of its subsidiary CETIN. The rating also reflects the governance considerations associated with the company's financial strategy and risk management linked to its leverage policy and liquidity management, the complexity of its group structure with the presence of different credit pools and the concentrated ownership.

We expect CETIN Group's leverage to peak at around 3.5x in 2021 and thereafter gradually decrease to around 3.0x by 2025.

CETIN Group does not benefit from an upstream guarantee from CETIN. Therefore, debt at CETIN Group is potentially in a weaker position because of structural subordination. However, the Baa2 rating of CETIN Group also reflects our expectation that it will achieve gradual organic reduction in leverage because of the strength of the operating cash flow generated by its operating subsidiaries and subject to the group's financial policy of sustaining net reported leverage at or below 3x.

Exhibit 1
We expect CETIN Group's gross leverage to peak at around 3.5x in 2021 and thereafter gradually decrease to around 3.0x by 2025
Evolution of CETIN Group's Moody's-adjusted gross leverage



Data until 2020 (included) refers to CETIN a.s.
Sources: Moody's Financial Metrics™ and Moody´s Investors Service estimates

Credit strengths

» Leading position in the Czech Republic, Hungary, Bulgaria and Serbia's telecom market, which also provides substantial geographical diversification

» Solid operating cash flow generated by operating subsidiaries

» Group's conservative financial policy

» Adequate liquidity supported by strong operating cash flow and a €200 million revolving credit facility due in 2026

Credit challenges

» High leverage for the rating category, although it is likely to decline

» Complex group structure, with various credit pools

» Structural subordination of debt — CETIN Group does not benefit from upstream guarantees

» Significant capital spending needs, which constrain free cash flow

Rating outlook

The stable outlook on CETIN Group's rating reflects the underlying strength of its cash flow and our expectation that the company's leverage (Moody's-adjusted debt/EBITDA) will peak at around 3.5x in 2021 and thereafter decrease gradually to around 3.0x by 2025.

The outlook also takes into consideration the leverage and credit quality of PPF Telecom Group, because its financial policy allows for higher leverage and there is a limit as to how far CETIN Group's credit quality can be delinked from that of its parent.

The stable outlook incorporates our assumption that there will be no further acquisitions and our expectation that CETIN Group's rating may be downgraded if PPF Telecom Group's financial projection is not met.

Factors that could lead to an upgrade

CETIN Group's rating is unlikely to be upgraded unless leverage at PPF Telecom Group decreases substantially and sustainably, thereby alleviating financial pressure on CETIN Group. The rating could be upgraded if the company delivers on its business plan, such that its Moody's-adjusted debt/EBITDA drops below 2.5x on a sustained basis. This decrease in leverage would likely be contingent on the company maintaining a conservative approach to acquisitions and shareholder remuneration.

Factors that could lead to a downgrade

CETIN Group's rating could be downgraded if leverage at PPF Telecom Group remains at 3.5x or higher on a reported basis, either because of further debt-financed acquisitions or because of weaker-than-expected performance at the operating subsidiaries.

CETIN Group's rating could also be downgraded if the company's operating performance weakens as a result of pricing pressure, market share losses or reduction in cash flow, or if CETIN Group increases its debt as a result of acquisitions or shareholder distributions, such that its adjusted debt/EBITDA rises above 3.5x with no expectation of improvement.

A weakening of the company's liquidity could also strain the rating.

Key indicators

Exhibit 2
CETIN Group N.V.

CZK Millions	Dec-17	Dec-18	Dec-19	Dec-20	2021-proj	2022-proj
Revenue	20,968	19,813	19,168	18,881	27,696	28,134
FFO Margin %	35.5%	36.6%	38.5%	40.5%	47.3%	49.1%
(EBITDA - CAPEX) / Interest Expense	10.1x	7.2x	8.9x	7.6x	6.1x	5.6x
FCF / Debt	11.7%	2.4%	0.8%	-0.8%	-4.0%	-3.8%
Debt / EBITDA	2.9x	3.0x	3.1x	3.1x	3.5x	3.4x

Data until 2020 (included) refers to CETIN a.s.
All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody´s Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

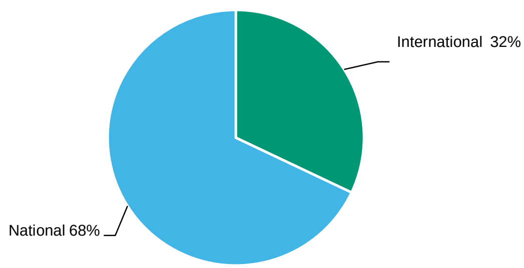
Company profile

PPF Telecom Group, a European telecommunications group, is the holding company that owns 100% of CETIN Group, and O2 Czech Republic a.s. (O2) and the companies that form the international service provider in the Central and Eastern European (CEE) countries. In 2020, PPF Telecom Group generated revenue of €3.2 billion and EBITDA of €1.4 billion. It is owned by PPF Group, an investment group with diverse business activities encompassing banking and financial services, telecommunications, media, biotechnology, insurance, real estate, mechanical engineering and e-commerce in Europe, Russia, Asia and the US.

CETIN Group is a holding company created as a result of the recent corporate restructuring of PPF Telecom Group. The restructuring included the buyout of O2's minorities for around €1 billion and the push down of debt from PPF Telecom Group to CETIN Group, including an €825 million term loan due 2024. In addition, PPF Group has contributed a 10.27% equity stake in CETIN into PPF Telecom Group, with no exchange of cash. Once the group's restructuring is complete, PPF Telecom Group is likely to own 100% of O2 and the former Telenor businesses in the CEE countries except in Hungary.

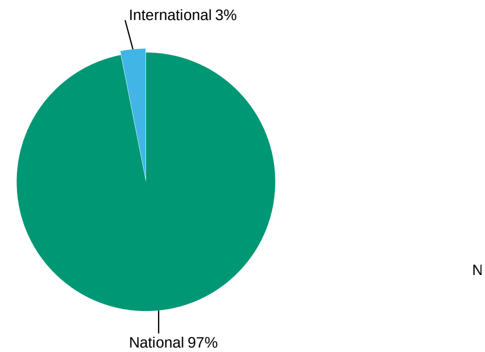
CETIN Group fully owns CETIN and the infrastructure business in Hungary, Bulgaria and Serbia. CETIN is headquartered in Prague (Czech Republic) and is the leading national Czech telecommunications infrastructure provider. The company was incorporated in June 2015 after the spin-off from O2 Czech Republic a.s. In 2020, CETIN generated revenue of CZK18.9 billion and EBITDA of CZK8.8 billion (CZK13.4 billion and CZK6.7 billion, respectively, in the nine months that ended September 2021). The company operates and manages fixed and mobile infrastructure in the domestic market and transit infrastructure abroad with international points of presence in Germany, Austria, Slovakia, UK and Hong Kong.

Exhibit 3
The Czech Republic accounted for 68% of CETIN a.s. revenue in the first half of 2021 ...
Revenue breakdown by geography



Source: Company

Exhibit 4
... and 97% of EBITDA
EBITDA breakdown by geography



Source: Company

Detailed credit considerations

In light of the recent corporate restructuring, the business profile of CETIN Group mostly reflects that of its fully owned subsidiary, CETIN a.s. Therefore, detailed credit considerations for CETIN a.s. (CETIN) largely apply also to CETIN Group.

Leverage at CETIN to decrease after the restructuring; capital spending and dividend payouts reduce the likelihood of significant further reduction in leverage

Following to the corporate restructuring, bank debt at PPF Telecom Group has been refinanced at the CETIN Group level and the December 2021 notes issued by CETIN are refinanced at the CETIN Group level, while keeping group leverage within the financial limits stated in the financial strategy, namely reported net leverage of 3.0x (excluding effects of IFRS 16). Hence, we expect CETIN Group's Moody's-adjusted leverage to peak at around 3.5x in 2021 and thereafter decrease gradually to around 3.0x by 2025.

In terms of use of free cash flow, CETIN Group's priority will be CAPEX investments, and adjustments shall be made to its distribution policy of 100% of leveraged free cash flows to mitigate any potential weakness in performance.

We have factored into the rating our high confidence in management's ability to deliver financial objectives on the basis of the company's reliable and predictable revenue, based on existing contracts with O2 and T-Mobile. Operating costs are predictable, implying high certainty with respect to future EBITDA margins.

We take into consideration the high-margin component of domestic revenue (about 71% as of H1 2021), which gets highly diluted by substantial transit traffic, with a single-digit margin (about 5% as of H1 2021). Because the domestic fixed and mobile business generated about 97% of the company's EBITDA as of H1 2021, we have given particular weight in our analysis to the domestic business' high margin.

CETIN Group's credit quality also reflects the financial policies and higher leverage of PPF Telecom Group

PPF Telecom Group is a European telecommunications conglomerate (ultimately 100% owned by PPF Group N.V.) with shareholdings in CETIN a.s (100%), O2 (90.52%) and four mobile operators in Hungary, Bulgaria, Serbia and Montenegro (all 100% owned, except Telenor Hungary which is only 75% owned). PPF Telecom Group completed the acquisition of Telenor's CEE (Telenor) assets in Hungary, Bulgaria, Serbia and Montenegro in July 2018 for €2.8 billion. As of December 2020, PPF Telecom Group completed the separation of the infrastructure segment of its Telenor businesses in Bulgaria, Hungary and Serbia, and the incorporation of these newly created entities into the new CETIN Group, which also includes their infrastructure business in the Czech Republic through CETIN.

The group has a complex structure, with debt allocated across the holdco and the operating subsidiaries. As of December 2021, ca. 44% of debt was raised at PPF Telecom Group (including four bonds amounting to €2.3 billion), with the balance being allocated at CETIN Group (ca. 28%), CETIN (ca. 16%), O2 (ca. 10%) and Telenor CEE (ca. 2%).

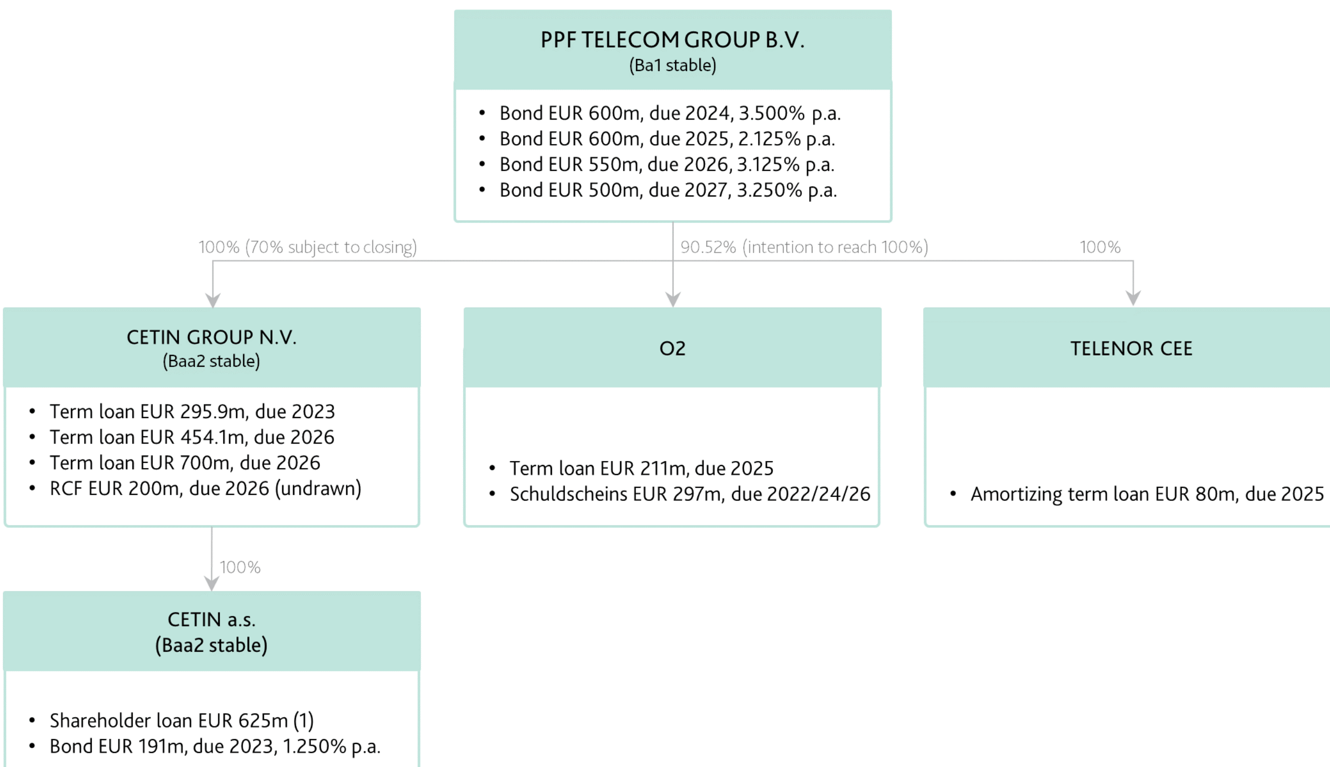
PPF Telecom Group is a holding company that relies entirely and exclusively on the cash flow and dividend upstreamed from its operating companies to support its cash needs, mainly interest cost. Although the contribution from CETIN Group amounted to about 33% of the total cash upstreamed from subsidiaries as of 2020, lenders at PPF Telecom Group benefit from the value of CETIN Group and its subsidiaries.

There is a limit to how far the credit quality of CETIN Group can be delinked from that of PPF Telecom Group because the latter owns and controls the former. Therefore, any weakness in the credit quality of PPF Telecom Group could strain CETIN Group's rating in the future — for example, if there are more debt-financed acquisitions or if the performance of any of PPF Telecom Group's aggregated subsidiary businesses deteriorates.

Exhibit 5

CETIN Group's credit quality reflects the higher leverage at PPF Telecom Group

PPF Telecom Group's structure as of December 2021



(1) In December 2021, the CETIN's €625 million bond maturing has been refinanced at CETIN Group level, which granted a shareholder loan of the same amount to CETIN.
Source: Company

ESG considerations

In terms of environmental and social risks, CETIN´s exposure is in line with the overall industry. Electromagnetic radiation (for example, from mobile antennas or mobile handsets) has repeatedly been said to be potentially harmful to the environment and health. While the need for higher mobile data speeds will increase electromagnetic radiation, we do not see it as a significant environmental risk for global telecommunication providers, given the existing regulatory radiation limits and ongoing technological improvements. In terms of social risks, data security and data privacy issues are prominent in the sector. Telecommunications providers exchange large amounts of data, and a breach could cause legal, regulatory or reputation issues. In addition, a breach could result in increased operational costs to mitigate cyberattacks and reduce exposure to the loss of private data. While telecom operators have low direct business exposure to environmental risks, data security and data privacy issues are prominent in the sector.

In terms of governance, although PPF Telecom Group relies entirely and exclusively on the dividend upstreamed from its operating companies, CETIN's dividend payment is subject to operating performance and capital spending, as well as debt repayment. We expect PPF Telecom Group to continue to execute its financial strategy within its stated dividend policy and maintain the current financial ratios at the subsidiaries' level. We note the complexity of the broader group of companies outside PPF Telecom and the fact that the entire group is owned and controlled by one major shareholder. We expect PPF Telecom group to perform within the stated operating and financial strategies, maintaining shareholder remunerations within its dividend payout limits.

Liquidity analysis

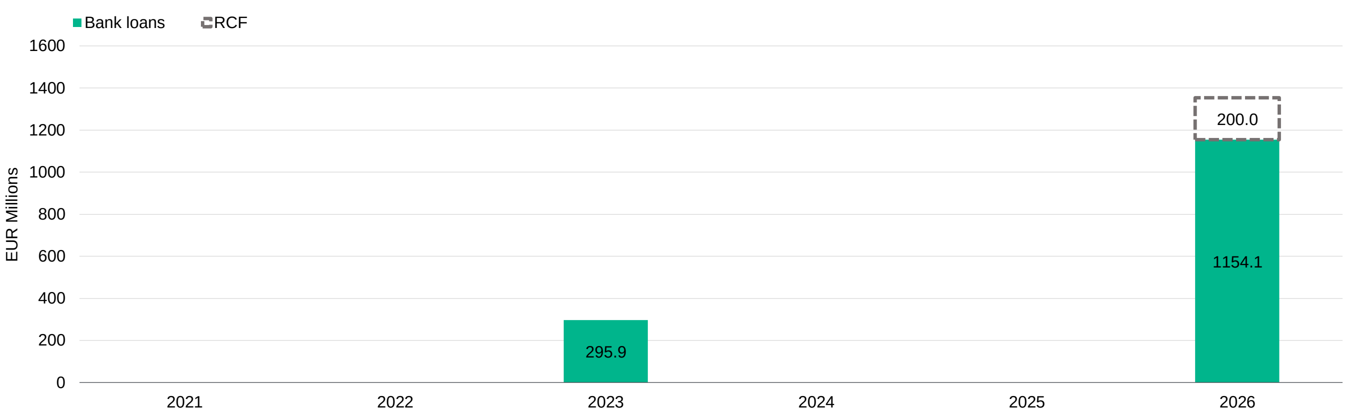
CETIN Group's liquidity is adequate. It is supported by cash and cash equivalents of around €40 million as of June 2021, as well as by the company's strong Moody's-adjusted operating cash flow of around €550 million and a fully undrawn revolving credit facility of €200 million due in 2026. CETIN Group's liquidity is sufficient to cover its upcoming debt maturities and other cash demands through the next 12-18 months, including its capital spending needs, which are likely to be at around €400 million in 2021, on a Moody's-adjusted basis.

Upcoming debt maturities include a €295.9 million term loan due in 2023, a €454.1 million term loan due in 2026 and a €700 million term loan due in 2026.

Exhibit 6

Following the group's restructuring, a portion of PPF Telecom Group's and CETIN's debt has been refinanced at CETIN Group level

CETIN Group's debt maturity profile as of December 2021



As of December 2021, the €700 million term loan maturing 2026 has been fully drawn in order to refinance CETIN's €625 million bond maturing December 2021. The €200 million RCF is fully undrawn.

Source: Company

According to its liquidity policy, CETIN needs to hold a minimum technical cash reserve of CZK300 million. Additional funds may be used for capital investments, debt reduction and dividend distributions, unless net leverage is above 3.5x.

Methodology and scorecard

The rating of Baa2 assigned to CETIN Group is in line with the scorecard-indicated outcome, resulting from the application of our Communications Infrastructure Methodology.

Exhibit 7

Rating factors

CETIN Group N.V.

Communications Infrastructure Industry Scorecard [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of 10/27/2021 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$0.8	B	$1.3 - $1.4	Ba
Factor 2 : Business Profile (25%)				
a) Business Model	A	A	A	A
b) Competitive Environment and Business Conditions	A	A	A	A
Factor 3 : Profitability & Efficiency (20%)				
a) FFO Margin	40.5%	Ba	47% - 49%	Ba
Factor 4 : Leverage & Coverage (30%)				
a) (EBITDA - CAPEX) / Interest Expense	7.6x	Aa	5.6x - 6.1x	A
b) FCF / Debt	-0.8%	Caa	-4% - -3.8%	Caa
c) Debt / EBITDA	3.1x	Ba	3.4x - 3.5x	Ba
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa2
b) Actual Rating Assigned				Baa2

Data for the FY 2020 refers to CETIN a.s.

(1) All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. (2) As of 12/31/2020. (3) This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Appendix

Exhibit 8

Peer comparison
CETIN Group N.V.

(in USD millions)	CETIN Group N.V. Baa2 Stable			Chorus Limited Baa2 Stable			SES S.A. Baa2 Negative			Eutelsat Communications SA Ba1 Negative		
	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Jun-20	FYE Jun-21	LTM Jun-21	FYE Dec-19	FYE Dec-20	LTM Jun-21	FYE Jun-20	FYE Jun-21	LTM Jun-21
Revenue	$912	$836	$815	$611	$658	$658	$2,221	$2,141	$2,150	$1,413	$1,472	$1,472
EBITDA	$380	$373	$371	$437	$472	$472	$1,367	$1,278	$1,311	$1,090	$1,075	$1,075
Total Debt	$1,104	$1,144	$1,225	$1,781	$2,047	$2,047	$6,036	$5,795	$5,236	$4,399	$4,287	$4,287
Cash & Cash Equivalents	$72	$75	$65		$37	$37	$1,296	$1,422	$716	$934	$1,021	$1,021
FFO Margin %	36.6%	38.5%	40.5%	50.7%	56.7%	56.7%	48.2%	45.7%	49.6%	61.3%	56.8%	56.8%
(EBITDA - CapEx) / Interest Expense	7.2x	8.9x	7.6x	0.0x	0.2x	0.2x	4.4x	4.8x	7.1x	7.2x	6.9x	6.9x
FCF / Debt	2.4%	0.9%	-0.8%	-11.1%	-7.1%	-7.1%	3.8%	10.5%	16.0%	1.9%	9.1%	9.1%
RCF / Debt	18.3%	18.7%	18.5%	14.8%	15.4%	15.4%	11.0%	14.3%	16.1%	11.9%	13.7%	13.7%
DEBT / EBITDA	3.0x	3.0x	3.1x	4.0x	4.3x	4.3x	4.4x	4.2x	4.0x	4.0x	4.0x	4.0x

CETIN Group's data until 2020 (included) refers to CETIN a.s.
All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody´s Financial Metrics™

Exhibit 9

Moody´s-adjusted debt reconciliation
CETIN Group N.V.

CZK Millions	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported Debt	**24,651**	**20,755**	**20,890**	**25,915**	**26,303**
Operating Leases	4,435	3,816	3,980	0	0
Non-Standard Adjustments	-22	-21	-21	-20	0
Moody's-Adjusted Debt	**29,064**	**24,550**	**24,849**	**25,895**	**26,303**

Data until 2020 (included) refers to CETIN a.s.
All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody´s Financial Metrics™

Exhibit 10

Moody´s-adjusted EBITDA reconciliation
CETIN Group N.V.

CZK Millions	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported EBITDA	**8,246.0**	**7,970.0**	**7,507.0**	**8,586.0**	**8,594.0**
Operating Leases	887.0	762.0	796.0	0.0	0.0
Unusual	-66.0	-59.0	-48.0	-30.0	0.0
Moody's-Adjusted EBITDA	**9,067.0**	**8,673.0**	**8,255.0**	**8,556.0**	**8,594.0**

Data until 2020 (included) refers to CETIN a.s.
All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody´s Financial Metrics™

Exhibit 11

Select historical and projected Moody´s-adjusted financial data

CETIN Group N.V.

CZK Millions	2015	2016	2017	2018	2019	2020	2021E	2022E
INCOME STATEMENT								
Revenue	19,097	20,378	20,968	19,813	19,168	18,881	27,696	28,134
EBITDA	8,989	9,067	8,673	8,255	8,556	8,594	15,221	16,089
BALANCE SHEET								
Cash & Cash Equivalents	656	335	805	1,610	1,687	1,397	990	539
Total Debt	33,137	29,064	24,550	24,849	25,895	26,303	52,869	54,586
CASH FLOW								
Capex = Capital Expenditures	3,352	4,182	4,327	4,731	4,409	5,014	10,537	11,808
Retained Cash Flow	7,829	3,772	7,179	4,536	4,844	4,855	7,669	9,898
RCF / Debt	23.4%	13.0%	28.4%	18.3%	18.5%	18.3%	14.5%	18.1%
Free Cash Flow (FCF)	3,898	-14	2,946	599	221	-216	-2131	-2073
FCF / Debt	11.6%	0.0%	11.7%	2.4%	0.8%	-0.8%	-4.0%	-3.8%
PROFITABILITY								
% Change in Sales (YoY)		7.7%	5.8%	-3.1%	-3.4%	-4.4%	1.9%	1.6%
EBITDA Margin %	47.1%	44.5%	41.4%	41.7%	44.6%	45.5%	55.0%	57.2%
INTEREST COVERAGE								
EBITDA / Interest Expense	22.5x	16.7x	20.1x	16.8x	18.3x	18.2x	19.9x	21.0x
(EBITDA - CAPEX) / Interest Expense	14.1x	9.0x	10.1x	7.2x	8.9x	7.6x	6.1x	5.6x
LEVERAGE								
Debt / EBITDA	3.7x	3.2x	2.9x	3.0x	3.1x	3.1x	3.5x	3.4x

Data until 2020 (included) refers to CETIN a.s.

Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Ratings

Exhibit 12

Category	Moody's Rating
CETIN GROUP N.V.	
Outlook	Stable
Issuer Rating	Baa2
CETIN A.S.	
Outlook	Stable
Issuer Rating	Baa2
CETIN FINANCE B.V.	
Outlook	Stable
Bkd Senior Unsecured	Baa2

Source: Moody's Investors Service

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